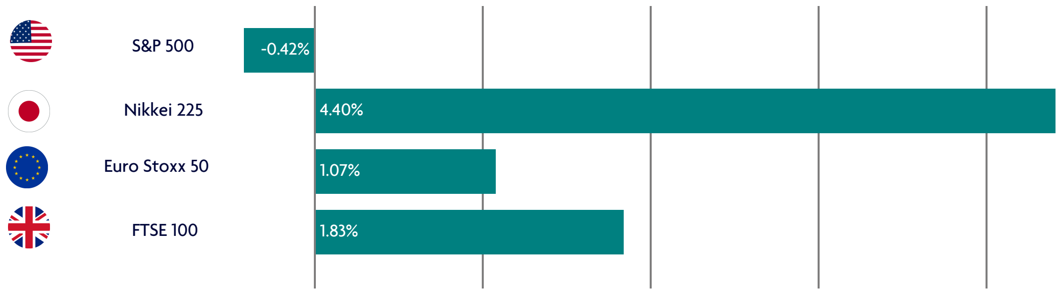
Weekly Market Update

19 February 2024

US Stocks were the outlier last week as the only major stock market falling in value. Discouraging inflation data in the US challenged stock markets however signs of cooling inflation in Europe and UK buoyed stock prices. Central banks continue to try and tame investor expectations on interest rate reductions as rebounding inflation still remains a big risk in decision making.

Market Monitor (%): How did major stock markets perform last week?



Market Update:

UK

Official data showed that the UK economy fell into recession in the final three months of last year and that inflation held steady in January, reviving market expectations that the Bank of England (BoE) could cut interest rates as soon as June. A preliminary estimate of gross domestic product (GDP) showed a greater-than-expected contraction of 0.3% in the three months through December. The economy shrank 0.1% between July and September. BoE Governor Andrew Bailey sought to downplay the GDP data before the figures had been released, asserting that a recession would be "very shallow" and that more emphasis should be placed on recent indicators, which "have shown some signs of an upturn in economic activity." He later told a parliamentary committee that the inflation data had been "good news," with the caveat that services inflation was still too high and more clear evidence was required that wage growth is slowing.

US

Some favourable company earnings surprises balanced against discouraging inflation data left US stocks down over the week. The S&P 500 Index recorded its first weekly decline since the start of the year. The declines were concentrated in large-cap growth stocks; smaller companies and value stocks outperformed. Investors digested several inflation surprises during the week. On Tuesday, stocks were down after the Labor Department reported that consumer prices had risen 0.3% in January, a tick above consensus expectations of around 0.2%. Much of the rest of the week's economic data were also arguably disappointing—although signs of weaker growth seemed to help calm inflation concerns.

Europe

European stocks ended the week higher as signs of cooling inflation and a better outlook for interest rate cuts cheered investors. The European Commission (EC) cut its forecast for eurozone economic growth in 2024 to 0.8% from the 1.2% predicted in November. This downward revision reflected recent higher inflation rates and higher interest rates. The EC projected that economic growth would accelerate to 1.5% in 2025, slightly less than the previous estimate of 1.6%, it said. European Central Bank President Christine Lagarde again expressed concern this week over "making a hasty decision" to reduce interest rates as the risk of rebounding inflation still remains on the central bank's radar.

Japan

Japan's stock markets rose over the week. The Nikkei stock index hovered around its highest level in 34 years, continuing its strong performance so far this year and in 2023. Weakness in the Yen and positive corporate earnings releases were the main drivers of the strong performance. On the economic front, weak fourth-quarter economic growth data added to uncertainty about the future path of the Bank of Japan's interest rate policy.

China

Financial markets in mainland China were closed, and no official indicators were released due to the weeklong Lunar New Year holiday. Early data showed a pickup in consumer spending over the Lunar New Year, China's most important holiday. Sources report that more than 61 million rail trips were made in the first six days of the national holiday, a 61% increase over last year's holiday. Travel by road and airplane also improved, while hotel sales on Chinese e-commerce platforms increased more than 60%. However, analysts cautioned that the year-over-year consumption surge was less impressive considering that China was battling nationwide coronavirus outbreaks in early 2023 after Beijing rolled back pandemic restrictions in December 2022.

The Omnis Investment Club

To hear more about these topics, please search for "The Omnis Investment Club Podcast" on your podcast player.

Omnisinvestments.com

Omnis INVESTMENTS